



COMPANY: Fenix Outdoor International AG
COUNTRY: China
ASSESSMENT DATE: 08/26/15
MONITOR: FLA Assessor Team (China)
PRODUCTS: Apparel
PROCESSES: Full [= full package]
NUMBER OF WORKERS: 1000
NUMBER OF WORKERS INTERVIEWED:
ASSESSMENT NUMBER: AA0000001850

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Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: A de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of such facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Employment Functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- **Immediate action required:** discoveries or findings at the workplace that need immediate action because they not only constitute

an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

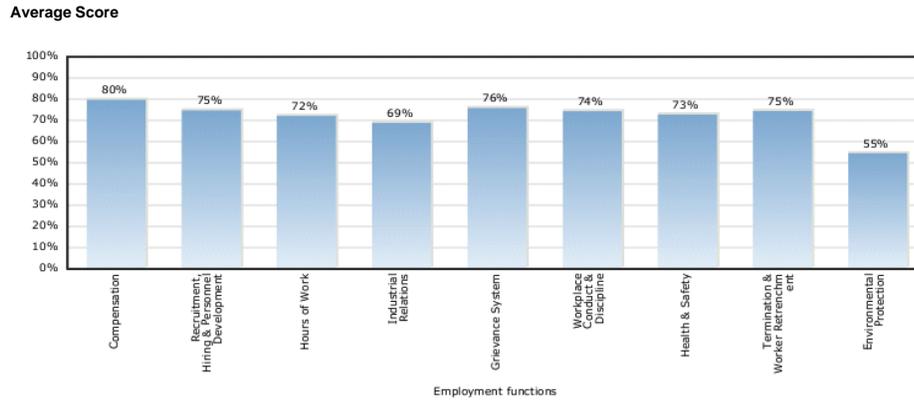
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Factory Profile

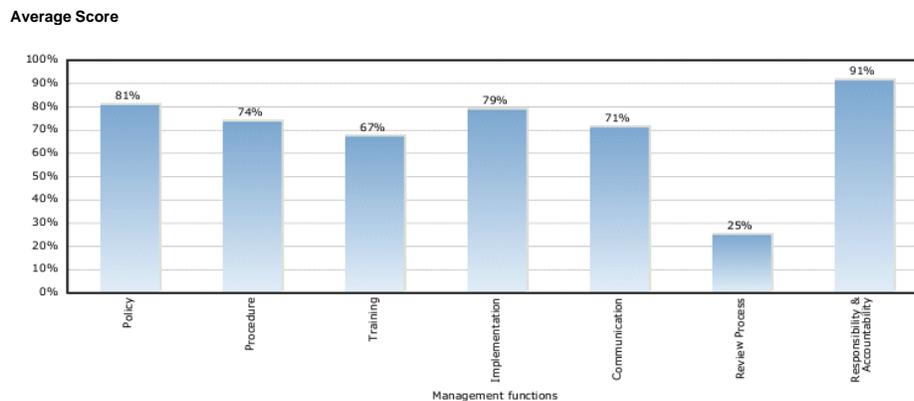
Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an assessment conducted for FLA by independent, accredited assessors. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection
Policy	40%	50%	50%	50%	75%	75%	75%	66.67%	75%
Procedure	53.57%	100%	90%	50%	100%	83.33%	100%	71.88%	60%
Responsibility & Accountability	83.33%	100%	83.33%	100%	100%	100%	100%	100%	100%
Review Process	50%	50%	0%	0%	50%	0%	50%	0%	33.33%
Training	84.62%	66.67%	33.33%	0%	75%	50%	33.33%	66.67%	25%
Implementation	85%	87.72%	80%	82.14%	83.33%	83.33%	88.89%	74.94%	41.36%
Communication	66.67%	87.5%	75%	0%	75%	83.33%	83.33%	62.5%	0%

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element	Number of Violations	Violations
Compensation	4	General Compliance Compensation Workers Awareness and Understanding of Compensation Employer Provided Fringe Benefits Training and Probation Wage
Employment Relationship	15	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Terms and Conditions/Supervisor Training Administration of Compensation/Termination Payouts General/Documentation and Inspection Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Administration of Hours/Production and Incentive Schemes Industrial Relations Work Rules and Discipline Skills Development/Training Skills Development/Management of Performance Reviews Recruitment and Hiring/Employment Decisions Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures
Forced Labor	1	Freedom of Movement/Workers Ability to Terminate
Freedom of Association and Collective Bargaining	4	Employer Interference Employer Interference/Constitution, Elections, Administration, Activities and Programs Employer Interference/Registration Right to Freely Associate
Harassment and Abuse	3	General Compliance Harassment or Abuse Discipline/Monetary Fines and Penalties Discipline/Psychological Abuse
Hours of Work	4	General Compliance Hours of Work Annual Leave Annual Leave/Wage Payments Rest Day
Health, Safety and Environment	12	General Compliance Health, Safety, and Environment Material Safety Data Sheets/Workers Access and Awareness Machinery Safety, Maintenance and Workers Training Ergonomics Document Maintenance/Workers Accessibility and Awareness Food Preparation Drinking Water Notification and Record Maintenance Permits and Certificates Evacuation Requirements and Procedure Personal Protective Equipment Chemical Management and Training
Non-Discrimination	2	General Compliance Nondiscrimination Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies

Findings and Action Plans

FINDING NO.1

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. There was a repeated probation term for any workers returning for employment. According to applicable legal requirements, returning employees should not be subject to additional probation terms in the same workplace.
2. The factory has set a probation period of six months, which is in line with local requirements; however, it exceeds the maximum of three months as per FLA Workplace Code and Benchmarks.

Local Law or Code Requirement

Recommendations for Immediate Action

1. Change all existing workers' probation periods to three months; for new workers the maximum probation period shall not exceed three months. For returning workers, eliminate the repeated probation period.
2. Review and revise the labor contracts regarding repeated probation terms for workers returning for employment, as they are not to be subjected to additional probation terms in the same workplace.

COMPANY ACTION PLANS

1. The factory has changed all newcomer probation periods to 3 months and cancelled probation period for rejoined staff. HR Policy 2. Employment Contract has been updated accordingly.

Action plan status: Completed

Planned completion date: 12/31/15

Progress update: 01/20/16 : The factory has changed all newcomer probation periods to 3 months and cancelled probation period for rejoined staff. HR Policy 2. Employment Contract has been updated accordingly.

Completion date: 12/31/15

FINDING NO.2

RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory's recruitment process holds the risk of age and gender discrimination. Following instances were observed: a) The recruitment procedure stated that the candidate should be 18 – 50 years old; b) The recruitment advertisement posted at the factory entry gate said that the warehouse officer should be female and around 40 years old. The factory's hired workforce showed evidence of the implementation of the age requirements in the job advertisement.
2. The factory recruited one young worker in 2011. However, the factory has not yet registered this worker at the local labor bureau, as required by law. Additionally, this young worker paid the health examination fee instead of the employer, violating local law. Furthermore, the factory has not arranged an annual health examination for this young worker at the age of 18 years, as per legal requirement.
3. The factory retains possession of the original health examination reports, although the pre-occupational health examination fees are paid by the workers themselves, not the factory.
4. The factory did not hire any disabled worker, which is a violation of legal requirement stating that at least 1.5% of the total workforce should consist of disabled workers. Additionally, the factory does not contribute to the Employment Security Fund in lieu of employing disabled workers so far. (Note: The local governments issued a document stating that the foreign enterprise could be exempted from the contribution of Employment Security Fund, which is contradictory to national law).
5. The factory does not establish the procedure with the goal of raising or broadening skills in order to advance their careers. Additionally, the factory does not establish the performance review procedure nor conduct systematic performance reviews; workers' promotion is based on the supervisors' judgment without formal appraisal and clear criteria.

Local Law or Code Requirement

Regulation on Protection of Young Workers (1995), Articles 6 and 10; Regulations on the Employment of Persons with Disabilities (2007), Articles 8 and 9; Property Law of PRC (2007), Article 39; Labor Law of PRC (1995), Article 12; FLA Workplace Code and Benchmarks (Employment Relationship Benchmarks ER.3.2, ER.28, ER.29.1, and ER.30.1.2; Nondiscrimination Benchmarks ND.1 and ND.2.1)

Recommendations for Immediate Action

1. Remove the discriminative clause of gender and age limits from recruitment procedure, including all job advertisements (online and posted at the factory). Employment decision shall be made on candidates' qualification and ability without discrimination.
2. Return the original health examination reports to workers.
3. Return the health examination fee to the young worker who was recruited in 2011 and provide the worker with required annual health examination.

COMPANY ACTION PLANS

1.

Action plan status:	Completed
Planned completion date:	11/30/15
Progress update:	01/20/16 : 1.Remove the discriminative clause of gender and age limits from recruitment procedure, including all job advertisements (online and posted at the factory). Employment decision shall be made on candidates' qualification and ability without discrimination. 2.Return the original health examination reports to workers. 3.Return the health examination fee to the young worker who was recruited in 2011 and provide the worker with required annual health examination. 4.The examination fees were reimbursed. No young labour force is employed right now. 5.The policy in question was revised. The KS government waived the disable fund contribution for the factory. 6.A new policy regarding the personnel development will be created. A performance system will be developed on / before 31/12/2015
Completion date:	11/30/15

FINDING NO.3

COMPENSATION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. 15% of the workers are not covered by pension insurance, unemployment insurance, medical insurance, maternity insurance and work-related injury insurance. Among 85% of the workers who contribute to social security, the contribution base is the minimum standard rather than the legally required amount based on their actual earnings. Approximately 98.9% of those workers' wages are higher than the minimum contribution base. (Note: 100% of the workers are covered by commercial insurance, including those who have reached the retirement age.)
2. 78% of the workers do not contribute to the legally required Housing Provident Fund. Among 22% of the workers who contribute to the Housing Provident Fund, the contribution base is the minimum standard rather than legally required amount based on their actual earnings, while 100% of their wages are higher than the minimum contribution base.

Local Law or Code Requirement

Labor Law of PRC, Article 72; Social Insurance Law of PRC, Articles 12, 58, and 60; Social Insurance Contribution Base Notice of Kunshan City (2014), No.44; Regulation on the Housing Provident Fund Management (2002), Article 15; Regulation on the Housing Provident Fund Management in Suzhou (2006), Articles 8 and 9; FLA Workplace Code (Employment Relationship Benchmark ER.22; Compensation Benchmark C.1)

COMPANY ACTION PLANS

1. 1.Told workers that it is mandated to contribute to social insurance for both of employer and employee, as well as the benefits of contributing social insurance.
- 2.Told workers that it is mandated to contribute to social insurance for both of employer and employee, as well as the benefits of contributing social insurance.
- 3.Now the factory social insurance coverage is 87%. We plan to increase the social insurance coverage of 15% -20% annually in the

future to strive to achieve 100% coverage to meet the legal requirements. In addition, we will also gradually increase contribution base according to workers actual earnings.

4. We will also gradually increase contribution base according to workers actual earnings.

5. We plan to training of workers, let them understand relevant laws and regulations of the country, and let them understand the housing accumulation fund for their own benefits. Then gradually increasing purchase housing accumulation fund 5% to 10% a year. finally strive for provide housing accumulation fund to all workers. 6. We planned to provide training for workers to ensure that it is mandated to contribute to housing provident fund for both of employers and employees, and planned to increase 5% - 10% of housing provident fund contribution annually in the future to meet the 100% contribution requirements.

Action plan status: In Progress

Planned completion date: 11/30/17

Progress update: 10/20/17 : 1.1. We have total 455 workers and 395 workers are covered by pension insurance, which is 87% of workers contributed the social insurance as at today. 1.2. We will keep improving the ratio of social insurance contribution to reach the target 100%. We are expected to reach the target before Dec 2018. 2.1. We have total 455 workers and 115 workers are contributed housing provident fund, which is 25% of housing provident fund contribution as at today. 2.2. We will keep improving the ratio of housing provident fund contribution to reach the target 100%. We are expected to reach the target before Dec 2018

01/20/16 : 1. Told workers that it is mandated to contribute to social insurance for both of employer and employee, as well as the benefits of contributing social insurance. 2. Told workers that it is mandated to contribute to social insurance for both of employer and employee, as well as the benefits of contributing social insurance. 3. Now the factory social insurance coverage is 87%. We plan to increase the social insurance coverage of 15% -20% annually in the future to strive to achieve 100% coverage to meet the legal requirements. In addition, we will also gradually increase contribution base according to workers actual earnings. 4. We will also gradually increase contribution base according to workers actual earnings. 5. We plan to training of workers, let them understand relevant laws and regulations of the country, and let them understand the housing accumulation fund for their own benefits. Then gradually increasing purchase housing accumulation fund 5% to 10% a year. finally strive for provide housing accumulation fund to all workers. 6. We planned to provide training for workers to ensure that it is mandated to contribute to housing provident fund for both of employers and employees, and planned to increase 5% - 10% of housing provident fund contribution annually in the future to meet the 100% contribution requirements.

FINDING NO.4

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory has two sets of wage documentation: 1) pay slips kept by employees that show basic wages, overtime payment and all bonuses and 2) payroll records kept by the factory that show piece-rate wage, basic wage, productivity bonus and all lists of allowances. Although the gross and net wages are the same in both documents, this practice does not allow workers to understand the links between piece-rate wage and performance bonus.
2. The factory has a mandatory requirement that workers buy a drinking cup (CNY10) provided by the factory.
3. According to the HR administrative handbook and worker interviews, the factory does not take workers' external seniority (previous job experience prior to factory employment) into account in calculating annual leave as required by law. Furthermore, 30% of the interviewed workers are not aware of the annual leave.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.22; Hours of Work Benchmark, HOW.11; Compensation Benchmarks C.1, C.17, and C.18)

Recommendations for Immediate Action

1. Ensure that the wage documentation (payroll and pay slips) include the same information so that workers can review their piece-rate wage and performance bonus.
2. Stop the practice of forcing workers to buy cups.
3. Revise the HR administrative handbook to ensure it is updated in line with legal requirement so that all workers who have at least one year of previous work experience at any factory or company receive annual leave. Communicate the updates to workers and implement it accordingly.

COMPANY ACTION PLANS

1. we have explained the calculation to all staff when joined first day, piece wages are counted staff performance and efficiency for calculation performance bonus
2. Stop the practice of forcing workers to buy cups.
3. We updated annual leave regulation on the HR administrative handbook ,And communicate the updates to workers and implement it accordingly.

Action plan status:	Completed
Planned completion date:	11/30/15
Progress update:	01/20/16 : 1. we have explained the calculation to all staff when joined first day, piece wages are counted staff performance and efficiency for calculation performance bonus 2. Stop the practice of forcing workers to buy cups. 3. We updated annual leave regulation on the HR administrative handbook ,And communicate the updates to workers and implement it accordingly.
Completion date:	11/30/15

FINDING NO.5

HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory's production plan is based on 58 hours/week, which means 18 hours overtime per week on a regular basis. Furthermore, the HR administrative handbook states that the wage calculation is based on 26 days per month with the wage package including overtime payment of Saturdays. In addition, the standard of full attendance bonus is based on 26 working days per month. The above findings violate the FLA benchmark that employers shall not set production targets, piece rates or any other incentive or production system requiring workers to work beyond regular working hours.
2. All workers did not receive at least 24 consecutive hours of rest in every seven-day period in 9 out of the past 12 months, namely August, October, November and December 2014, January, March, May, June, and July 2015.
3. Over the past year, all workers' monthly overtime ranged from 38 hours to 93.5 hours with an average of 60 hours, which exceeded the legal limit of 36 overtime hours per month. The highest overtime (93.5 hours) occurred in June 2015.
4. In August 2014, May and July 2015, weekly working hours ranged from 60 to 69.5 exceeding the FLA limit of 60 hours per week. For instance, all workers worked 66 hours in May 2015.
5. All workers started working 10 to 15 minutes earlier in the morning than the required starting time (8:00 AM). Additionally, they continued working right after a quick meal during meal break. That means in total 30 to 40 minutes have not been recorded and calculated into hours of working.

Local Law or Code Requirement

Labor Law of PRC (1995), Articles 38 and 41; FLA Workplace Code (Employment Relationship Benchmark ER.24; Hours of Work Benchmarks HOW.1.3 and HOW.2; Forced Labor Benchmark F.7.5)

Recommendations for Immediate Action

1. Ensure workers' weekly hours meet the FLA limit of 60 hours/week.
2. Ensure workers have at least 24 consecutive hours rest in every 7-day period.
3. Factory shall take reasonable efforts to ensure workers do not work before shift starts and during meal breaks, and all the worked time should be recorded and taken into account when calculating wage.
4. FLA affiliate Company's Sourcing and Social Compliance teams should: a) implement FLA Principles of Fair Labor and Responsible Sourcing and b) accordingly coordinate on the topics mentioned below to help the factory address its excessive hours issue:
 - a. How to provide better order forecasts to the factories;
 - b. Possible workshops/consultancy for the factory on how to improve productivity/quality;
 - c. Clear guidelines on how to extend shipment deadlines in case of contingencies.
 - d. Steps that factory management must follow if overtime is inevitable (steps for how to communicate with the brand's Sourcing and Social Compliance teams).
 - e. Clear guidelines on the calculation and setting of reasonable production targets that will not demand work beyond regular working hours or during breaks.
 - f. Clear guidelines on how and when the factory can use subcontractors and/or temporary workers to avoid excessive overtime.

COMPANY ACTION PLANS

1. During to peak season, we will monitor and evaluate the production schedule to improve this problem in future. Besides, we will apply for exemptions from client for this issue as it is difficult recruit workers.

Action plan status: Completed

Planned completion date: 11/30/15

Progress update: 01/20/16 : The factory will organize a production plan based on 40 hours a week and 21,75 days per month. It will try it best to apply this and look at recruiting workers in order to improve the situation.

Completion date: 01/14/16

FINDING NO.6

WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The HR Administrative handbook said the employees are fined a monetary penalty ranging from 50 CNY (\$7.85) to 200 CNY (\$31.35) as a form of workplace discipline. The fine is deducted from the production/performance bonus. For instance, two workers were fined 100 CNY (\$15.68) for logging in on the attendance system on behalf of other co-workers in March of 2015.
2. There is no procedure for workers to appeal disciplinary actions.
3. The punishment notice has been publicly posted on the board with the names of workers subject to disciplinary measures and monetary fines as a means to maintain labor discipline.
4. Records of disciplinary action were not maintained in the worker's personnel file.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.27.3.4 and ER.27.4; Harassment of Abuse Benchmarks H/A.2 and H/A.6)

Recommendations for Immediate Action

1. Delete clauses with regards to monetary fines in the HR administrative handbook, and stop the practice of imposing monetary penalties.
2. Stop the practice of publicly posting the names of the workers subject to disciplinary measures on the board.

COMPANY ACTION PLANS

1. We had deleted clauses with regards to monetary fines in the HR administrative handbook, and stopped the practice of imposing monetary penalties.
2. We had stopped the practice of publicly posting the names of the workers subject to disciplinary measures on the board

Action plan status:	Completed
Planned completion date:	12/01/15
Progress update:	01/20/16 : 1.We had deleted clauses with regards to monetary fines in the HR administrative handbook, and stopped the practice of imposing monetary penalties. 2.We had stopped the practice of publicly posting the names of the workers subject to disciplinary measures on the board
Completion date:	12/01/15

FINDING NO.7

GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. There are currently two channels for workers to lodge complaints, including the direct channel through immediate supervisors and suggestion boxes. However, only 50% of interviewed workers are aware of the existence of the suggestion box and have no idea about the grievance process.
2. There were only a few grievance records from the suggestion box in 2012; there are no grievance records maintained since 2013.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.2.1, ER.16.1, and ER.25.3.2)

COMPANY ACTION PLANS

1. We have explained to all new comers the grievance process when they on board (Orientation Programme)
2. We should improve its recording system of handing complaints.

Action plan status:	Completed
Planned completion date:	12/01/15
Progress update:	01/20/16 : 1.The discipline procedure has been aligned with FLA Workplace Code's provisions. The factory has arrange a grievance system training for all employees as attached for training program. 2.Factory will review the complaint system
Completion date:	01/14/16

FINDING NO.8

TERMINATION & RETRENCHMENT

FINDING TYPE: Immediate Action Required

Finding Explanation

1. Workers' termination payouts are paid on the regular payday. According to local law, termination payout should be paid within

two working days after termination.

Local Law or Code Requirement

Regulation on Wage Payment of Jiangsu Province (2005), Article 19; FLA Workplace Code (Employment Relationship Benchmark ER.19 and Compensation Benchmark C.1)

Recommendations for Immediate Action

1. When applicable, termination payout shall be paid within 2 following working days after termination as local legally required instead of the regular payday.

COMPANY ACTION PLANS

1. We will try to payout final payment to termination staff with in 7 days after the last employment date.

Action plan status: Completed

Planned completion date: 12/01/15

Progress update: 01/20/16 : Factory will try to payout final payment to termination staff with in TWO working days after the last employment date. Provided reference to a final payment calculation as evidence.

Completion date: 01/14/16

FINDING NO.9

INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory has a trade union established in 2003 under the ACFTU (All China Federation of Trade Unions). 80% of all interviewed workers were not clear of the function of the union.
2. The trade union's management procedure was established by the factory's HR department and approved by the general manager, instead of by the elected committee members.
3. The factory management filled all committee member positions of the trade union. Therefore, an election was not carried out through a multi-candidate election, in which the number of candidates exceeds the number of committee member positions, as required by the Constitution of the Chinese Trade Unions. Instead, the trade union implemented an equal-number election for electing committee members. Additionally, all interviewed workers were not aware of the union election.
4. Workers are not provided with a copy of the Collective Bargaining Agreement (CBA) and all of the interviewed workers were completely uninformed on the content of the CBA.
5. There is a limitation for workers to join the trade union, allowing only workers with more than 3 years of work experience in the factory to be eligible to join the union.
6. **FLA Comment:** The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Local Law or Code Requirement

Constitution of the Chinese Trade Unions (2013), Article 10; FLA Workplace Code (Employment Relationship Benchmark ER.16.2;

COMPANY ACTION PLANS

1. 1.We have added Union information into the Orientation programme. the member of union will received a gift from labour union if they have new born baby / marriage / birthday, etc. Just want to declare Labour Union conducted many staff activities in past, & sponsored gift to staff lucky draw every year. Union members will visit worker who is deep sick / have new born baby, etc.
- 2.The document is discussed by Committee members. HR is helping Union to draft the documents. The final approval is decided by the Union Chairman.
- 3.We have delivered this message to Labour Union Chairman and they will amend the election system in next time.
- 4.We have posted the Collective Bargaining Agreement to notice board.
- 5.we will advise Labour Union removed this regulations

Action plan status: Completed

Planned completion date: 12/01/15

Progress update: 01/20/16 : 1. factory has added Union information into the Orientation programme. The factory has posted the collective bargaining contract of the trade union on the board to employees and educated accordingly (See attached pictures); They also added union information into the orientation programme. 2.factory has delivered this message to Labour Union Chairman and they will amend those documents. All documents for trade union management procedures need to get the approved from the trade union's Chairman, Ms. Wang Yiping. An approval from the GM is not required. The union rules and regulations and Trade union committees and the trade union's chairman's general election and by-election procedure are attached to this CAP 3.factory has delivered this message to the Labour Union Chairman and they will amend the election system. 4.factory has delivered this message to the Labour Union Chairman and they will provide the copy of the CBA to each worker.

Completion date: 01/14/16

FINDING NO.10

ENVIRONMENTAL PROTECTION

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory has not obtained the approval document of acceptance check of completed environmental protection facilities from local environmental protection authority.
2. The hazardous wastes such as waste machine oil containers and fluorescent tubes were not stored in a secure manner. It was observed that these wastes were stored in the maintenance area where the grinding and drilling processes are operated, posing a potential safety risk.
3. A number of Freon waste containers were thrown away in the open-air area. However, there was no facility to protect the containers from extreme weather, heat sources and direct sunlight.
4. The factory did not recruit a licensed handler to deal with hazardous wastes (fluorescent tubes, toner cartridges, empty barrels of cleaning agent, and waste machine oil containers). In addition, the factory does not maintain any official disposal records on site for assessors' review.
5. Based on the Environmental Impact Appraisal for this factory, there was no laser cutting process. However, the factory is currently using five laser-cutting machines, which generate air emissions. This newly added process has yet to be reported to the local environmental authority. Additionally, the air emission was not tested; therefore, it is not possible to verify that the air emission quality meets legal limits.
6. Although the factory has an environmental protection procedure in place, there was no component available to enable employees to raise environmental concerns. Furthermore, there is no procedure for the protection of workers who allege environmental violations.

Measures for Administration of Environmental Protection Acceptance Check upon Completion of Construction Project, Article 17; Standard for Pollution Control on Hazardous Waste Storage, Article 8; Environmental Protection Law of PRC, Article 41; Law on Prevention and Control of Environmental Pollution by Solid Wastes (2004), Article 57; Law on the Prevention and Control of Atmospheric Pollution (2000), Articles 12; FLA Workplace Code (Employment Relationship Benchmark ER.31.2; Health, Safety & Environment Benchmarks HSE.1, HSE.4, and HSE.9)

Recommendations for Immediate Action

1. Dispose hazardous wastes through a licensed handler. Ensure that disposal records are maintained on-site and provide them for assessment.
2. Find a dedicated and secure warehouse to store the hazardous waste as per legal requirement.
3. Outsource a licensed institution to conduct the air emission test for the laser cutting machines.

COMPANY ACTION PLANS

1. 1.factory will enquiry to the environmental authority one more time to collect a certificate of environmental assessment. The process is on-going. 3.This problem is under processing. The Factory has sourced a licensed contractor to dispose hazardous wastes and expected start in Jan 2016. Provided quotation as evidence. 4.factory will conduct the air emission test in December 2015 in accordance with the requirement

Action plan status: Completed

Planned completion date: 12/01/15

Progress update: 01/20/16 : 2.we will separate the hazardous wastes, please refer to the attachment (evidencing the separation on-site). The factory has sparateed the hazardous wastes (the stain remover was stored in a cabinet and lighting in the box provided) 5.The factory has a commucation policy on the HR Management Manual, if workers found environmental violations, they can use a suggestion box; teh evidence will be escalated to the management and the responsible manager has to report.

Completion date: 01/14/16

FINDING NO.11

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The fire alarm system in Production Building A is manual and isolated instead of automatic and centralized. Additionally, a number of fire alarm buttons are installed in Production Building C; however, the alarm system was malfunctioning. (Note: at the time of assessment, factory management presented a contract stating factory outsourced a service provider to install automatic and centralized fire alarm system in both production buildings).
2. A review of fire drill records and interviews with workers and management revealed that the factory uses a whistle to alarm workers to evacuate the buildings as part of the fire drill. Furthermore, there is no system to count workers at the end of the fire drill; therefore, the factory does not have a robust system in place to ensure safety evacuation.

Local Law or Code Requirement

Code for Fire Protection Design of Buildings GB50016-2014 Article 8.4.1; FLA Workplace Code (Health, Safety & Environment Benchmark HSE.5)

Recommendations for Immediate Action

1. Install an automatic and centralized fire alarm system in production buildings.
2. Fire drills should utilize real fire alarms. Ensure that fire drills include the step to count the names of employees, ensuring that all people are safely evacuated.

COMPANY ACTION PLANS

1. 1.factory will installed Fire Alarm system to each floor of production building.

Action plan status:	Completed
Planned completion date:	12/31/15
Progress update:	10/20/17 : 1.The fire alarm system to each floor of production building has been installed at the end of December 2015 2.The fire drills were conducted regularly as from 31/12/2016. It was utilized real fire alarms and the step to count the name of employees has been record. The latest fire drills was hold on 10/1/2017. Please find the record as attached. 01/20/16 : 2.Respective Fire Drills were conducted as required. Please refer to the last fire drill records as attached
Completion date:	06/12/17

FINDING NO.12

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory uses two fixed ladders; however, both of them lack a handrail to minimize the potential risk of falling.
2. The factory does not provide the electrician with adequate Personal Protective Equipment (PPE), such as a safety helmet and safety belt as per legal requirement.
3. The factory does not provide the workers at the fabric material workhouse with safety helmets, although they are exposed to the risk of falling goods that were stacked up above them at an approximately five meter height.
4. The food sample is only kept for the period between two meal breaks, rather than 48 hours as legally required.
5. No MSDS was available for one Japanese branded chemical (stain remover).
6. The factory only posts one piece of maintenance records near the boiled water dispensers; thus, it's impossible to prove that the filters are regularly replaced. Additionally, the factory has yet to arrange the drinking water test, bearing the risk of poor drinking water quality.

Local Law or Code Requirement

Code of Practice for Selection of PPE GB11651-2008, Article 6.1, Sheet 3, A01 and A09; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.2, HSE.7, HSE.10, HSE.14.1, HSE.22, and HSE.23)

Recommendations for Immediate Action

1. Install handrails onto the ladders.
2. Provide PPE (safety helmet and safety belt) for electrician and safety helmets for workers located in the fabric material warehouse
3. Keep the food sampling for 48 hours as legally required.
4. Provide a MSDS sheet for the Japanese branded chemical (stain remover) and post it at the workplace. Ensure that workers are communicated to regarding the MSDS.
5. Arrange a quality test for the drinking water. In addition, establish an effective system to monitor the maintenance of boiled water dispensers, including regular record reviews and documentation.

COMPANY ACTION PLANS

1. 1.We had installed hadrail to ladders.
- 2.We had provided PPE (safety helmet and safety belt) for electrician and safety helmets for workers located in the fabric material warehouse.

- 3 We hadKeeped the food sampling for 48 hours as legally required.
- 4.We had provided a MSDS sheet for the Japanese branded chemical (stain remover) and post it at the workplace. Ensure that workers are communicated to regarding the MSDS.
- 5.We had arranged a quality test for the drinking water. In addition, establish an effective system to monitor the maintenance of boiled water dispensers, including regular record reviews and documentation.

Action plan status: Completed

Planned completion date: 12/01/15

Progress update: 01/20/16 : 1.We had installed hadrail to ladders. 2.We had provided PPE (safety helmet and safety belt) for electrician and safety helmets for workers located in the fabric material warehouse. 3 We hadKeeped the food sampling for 48 hours as legally required. 4.We had provided a MSDS sheet for the Japanese branded chemical (stain remover) and post it at the workplace. Ensure that workers are communicated to regarding the MSDS. 5.We had arranged a quality test for the drinking water. In addition, establish an effective system to monitor the maintenance of boiled water dispensers, including regular record reviews and documentation.

Completion date: 12/01/15

FINDING NO.13

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The factory has not sourced a licensed institution to conduct the pre-assessment of occupational disease hazards and the assessment of effects of occupational disease hazards prior to the acceptance of the construction project. Additionally, the factory neither conducted an on-going (annual) occupational disease test, violating local law. As a result, the noise level at the embroidery workshop, the dust level at the downing filling workshop and the VOC (volatile organic compounds) at the stain removing area were neither monitored nor tested; therefore, it is not possible to prove that hazard exposure meets legal limits.
2. The occupational heath examination reports for three workers in the down-filling department were expired by May of 2015.
3. The factory does not provide an occupational health examination for one worker in the embroidering position and all workers handling chemicals (stain remover).

Local Law or Code Requirement

Law of Prevention and Control of Occupational Diseases, Articles 17, 18, and 36; Provisions on the Supervision and Administration of Occupational Health at Work Sites (2012), Article 20; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1 and HSE.4)

Recommendations for Immediate Action

1. Outsource a licensed institution to conduct an assessment of occupational disease hazards throughout the workplace, ensuring regular maintenance and adequate protection to workers that work in high-risk areas and are exposed to VOC, dust, and noise.
2. Renew occupational heath examination reports for three workers holding the down-filling positions.
3. Provide occupational health examination for the workers in the embroidering position and handling chemicals.

COMPANY ACTION PLANS

1. 1.We had a written policy for occupational disease hazards.
- 2.We have provided occupational health examination to worker who is working in down filling,in the embroidering position and handling chemicals every year.

Action plan status: Completed

Planned completion date: 12/01/15

Progress update: 01/20/16 : 1.The factory has a Safety Production Officer to take a risk assessment for high-risk area. The Officer is daily monitoring the production safety and make Correction reports every week. The factory has provide a report summary and risk assessment to prove they are fulfilled FLA this requirement. For especially VOC, Dust & Noise, the factory has provided related PPE to these position and conduct a health check yearly. 2.Renewed occupational health reports have been provided 3.The factory provided employees' health check reports for occupational disease.(the worker for working in filling down area; the worker for working what used chemical in final inspection; the worker for working in laser cutting area; the worker for working in Cutting area and the worker for working in embroidery area).

Completion date: 01/14/16

FINDING NO.14

HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

1. The chairs (wooden bench) provided to workers are not ergonomically designed to minimize bodily strains. For instance, there is no backrest and around 20% of the workers bought cushions to sit on the bench.
2. The factory does not provide any safety training for employees with special responsibilities, i.e. two workers who lift goods are not trained on proper lifting techniques nor provided with support belt, increasing the risks of bodily strain. In addition, maintenance staff and electrician are not trained on the safety requirements for their duties.
3. The factory had no system to track all illness records.
4. Although the factory has an Health & Safety procedure in place, workers are not able to raise Health & Safety concerns and there is no procedure for the protection of employees who allege Health & Safety violations.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.31.2; Health, Safety & Environment Benchmarks HSE.3.2, HSE.14.2, and HSE.17)

Recommendations for Immediate Action

1. Provide support belts to workers who lift materials.

COMPANY ACTION PLANS

1. 1.We are assessing new chairs and will consult on the most ergonomically and suitable solution。 2.The factory has a safety training for employees with special responsibilities,(two workers who lift goods are trained on proper lifting techniques and provided with support belt, increasing the risks of bodily strain. In addition, maintenance staff and electrician are trained on the safety requirements for their duties. 3..Illness records are kept as standard operational procedure with the HR Department. Pls refer to attachment. 4.Pl refer to the training schedule: The factory has provided 2015 Training Program calendar (orientation MA three level training, MA code exam, safety production training, quality raw material instruction, SA8000, RFID EPRS system, Orientation training-2015)

Action plan status: Completed

Planned completion date: 01/14/16

Progress update: 01/20/16 : 1.We are assessing new chairs and will consult on the most ergonomically and suitable solution。 2.The factory has a safety training for employees with special responsibilities,(two workers who lift goods are trained on proper lifting techniques and provided with support belt, increasing the risks of bodily strain. In addition, maintenance staff and electrician are trained on the safety requirements for their duties. 3..Illness records are kept as standard operational procedure with the HR Department. Pls refer to attachment. 4.Pl refer to the training schedule: The factory has provided 2015 Training Program calendar (orientation MA three level training, MA code exam,

Completion date: 01/14/16

FINDING NO.15

TRAINING (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The orientation training does not include the Employment functions on Recruitment, Hiring & Personnel Development, Industrial Relations, and Environmental Protection.
2. The factory does not provide workers with written documentation that substantiates all the issues covered in orientation briefings.
3. There is on-going training for regular workers on Health & Safety, but not on any other Employment Functions.
4. There is no supervisor training on national law, the policies and procedures of any Employment Functions and the FLA Workplace Code & Benchmarks.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.2, ER.15.2, ER.16.1, ER.17.1, and ER.27.2)

COMPANY ACTION PLANS

1. We will consider to put those information into orientation programme.
2. we have provided powerpoint for presentation. Please note that the orientation programme is an introduction training to newcomers and not a formal policy description. The purpose of the orientation training is allowing newcomers to smoothly settle into the company culture.
3. We will consider to provide recap / updated H & S training to staff.
4. We have provided policies and procedures to Supervisor level staff.
5. Fenix has provided FLA workplace code and benchmark and the factory will integrate this into training.

Action plan status: Completed

Planned completion date: 01/14/16

Progress update: 01/20/16 : 1. We will consider to put those information into orientation programme. 2. we have provided powerpoint for presentation. Please note that the orientation programme is an introduction training to newcomers and not a formal policy description. The purpose of the orientation training is allowing newcomers to smoothly settle into the company culture. 3. We will consider to provide recap / updated H & S training to staff. 4. We have provided policies and procedures to Supervisor level staff.

Completion date: 12/01/15

FINDING NO.16

WORKER INTEGRATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The worker integration component is missing from all Employment Functions. Factory has not established and implemented procedures to include workers' input/feedback on the creation, implementation, and revision of its policies and procedures. Therefore, workers are neither systematically integrated nor consulted in the decision-making processes.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.16, and ER.32.1)

COMPANY ACTION PLANS

1. The factory has posted a collective bargaining agreement on the board to workers . They receive training on this policy during the orientation program

Action plan status: Completed

Planned completion date: 01/14/16

Progress update: 01/20/16 : The factory has posted a collective bargaining agreement on the board to workers . They receive training on this policy during the orientation program

Completion date: 01/14/16

FINDING NO.17

COMMUNICATION (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. For all Employment Functions, except Health & Safety, the factory does not communicate its policies and procedures to the general workforce on an ongoing basis. While there is an induction process during which all new hires are informed of some of the factory's rules and practices, there is no planned follow-up to communicate updates.

1.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.16.1, ER.25, and Compensation Benchmark C.17)

COMPANY ACTION PLANS

1. The factory has provided 2015 Training Program calendar (orientation MA three level training, MA code exam, safety production training, quality raw material instruction, SA8000, RFID EPRS system, Orientation training-2015)

Action plan status: Completed

Planned completion date: 01/14/16

Progress update: 01/20/16 : The factory has provided 2015 Training Program calendar (orientation MA three level training, MA code exam, safety production training, quality raw material instruction, SA8000, RFID EPRS system, Orientation training-2015)

Completion date: 01/14/16

FINDING NO.18

REVIEW PROCESS (MACRO)

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

1. The factory does not conduct periodic reviews of its policies and procedures for any of the Employment Functions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1.3, ER.30.2, and ER.31.1)

COMPANY ACTION PLANS

1. The factory has provided 2015 Training Program calendar (orientation MA three level training, MA code exam, safety production training, quality raw material instruction, SA8000, RFID EPRS system, Orientation training-2015)

Action plan status: Completed

Planned completion date: 01/14/16

Progress update: 01/20/16 : The factory has provided 2015 Training Program calendar (orientation MA three level training, MA code exam, safety production training, quality raw material instruction, SA8000, RFID EPRS system, Orientation training-2015)

Completion date: 01/14/16